

VZCZCXYZ0026
RR RUEHWEB

DE RUCNDT #1099/01 3341935
ZNR UUUUU ZZH
R 301935Z NOV 07
FM USMISSION USUN NEW YORK
TO SECSTATE WASHDC 3230

UNCLAS USUN NEW YORK 001099

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [AORC](#) [PREL](#) [UNGA](#)

SUBJECT: UNGA/C-5: AUDIT REPORTS ON UNOPS AND UNHCR
TROUBLING

¶1. (U) The UN General Assembly Fifth Committee met in formal session on October 10 to hear introduction of several financial audit reports (A/62/5/Add.5, A/61/5/Add.10, A/62/120, A/61/214/Add.2, A/61/350/Add.1 and A/62/355). Introduction of the OIOS Annual Report will be reported septel. Director of External Audit of France and Chairman of the Audit Operations Committee of the Board of Auditors (Board) Bernard Levallois and Jonathan Childerley, Chief of the Oversight Support Unit, Department of Management, introduced their reports on implementation of Board recommendations for the 2004-2005 biennium, summarizing the measures being taken to ensure that UNOPS remains productive over the long term. Report Addendum (A/61/214/Add.2) breaks down the recommendations by status, target dates, and the designation of the official responsible for implementation. Childerley stated that UNOPS would soon be releasing an updated status of implementation in a new version of the Addendum. The Board reports also illuminated the troubled financial situations of the UN Office for Project Services (UNOPS) and UN High Commissioner for Refugees (UNHCR). In particular, Levallois highlighted the issue of unliquidated obligations at UNHCR as an issue of concern to donors.

¶2. (U) In introducing the ACABQ's reports (A/61/350/Add.1 and A/62/355) on the Board's work, ACABQ Chairman Rajat Saha emphasized that the Advisory Committee is engaging in ongoing discussions with UNOPS regarding implementation of recommendations in the context of the budget. He pointed out UNOPS's low rate of implementation of recommendations pertaining to procurement, contract management, and fraud prevention. Saha also highlighted the problem of staff members being in-between assignments who were granted leave with full pay increasing dramatically to 88 individuals in 2005-2006.

¶3. (U) Few Member States commented on this series of reports. Pakistan spoke on behalf of the Group of 77 and China; Portugal intervened on behalf of the European Union. Member States were encouraged by the improvement of overall implementation of recommendations over the last several biennium. However, they expressed concern regarding the slow or non-implementation of recommendations that are quite a few years overdue. The G-77 and China were particularly concerned by the gap between income and expenses at UNHCR as a result of the decrease in the amount of voluntary contributions, and called upon the High Commissioner to increase his efforts to raise voluntary contributions.

¶4. (U) USUN/MR stated our concerns regarding the low implementation rate in areas of human resources management, treasure and investment accounts management, interagency services, and information and communications technology systems. We commented on the troubling reports of UNOPS finances, and called for careful consideration during informal consultations of the ongoing risks posed to departments and offices involved with UNOPS-implemented projects. With regard to UNHCR, we also noted the gap between expenditures and income, and shared the ACABQ's view about

the questionable sustainability of UNHCR's improved financial situation if it continues to be based on short-term remedies. We echoed Chairman Saha's concerns regarding UNHCR paying for 88 staff members who were between assignments and thus not actually working. We also noted the gap that exists in UNHCR's current conflict-of-interest policies, calling for the SYG to extend the jurisdiction of the UN Ethics Office and the policies it oversees throughout the UN system.

15. (U) U.S. Statement -

The United States Delegation would like to thank Mr. Bernard Levallois, Director of External Audit of France and Chairman of the Audit Operations Committee of the Board of Auditors and his colleagues for preparing and presenting their reports to the Fifth Committee. I would also like to convey our appreciation to all the auditors and evaluators whose efforts contributed to the compilation of these helpful documents. In addition, the U.S. Delegation would like to thank Mr. Rajat Saha, Chairman of the ACABQ, for introducing his Committee's report on the Board's work.

The United States Delegation has carefully reviewed the reports prepared by the Board of Auditors, including the report on the implementation of the Board's recommendations concerning the biennium 2004-2005. As is the case with the recommendations of the other UN oversight bodies, the recommendations of the UN Board of Auditors will improve the efficiency and effectiveness of the UN only if they are fully implemented by management. In this regard, the United States Delegation notes that while only 52 per cent of the Board's recommendations for the biennium 2004-2005 have been fully implemented, an additional 43 per cent are under implementation. Taking into account that the number of

recommendations made by the Board has more than tripled over the past four biennia, we welcome the fact that the rate of implementation of the Board's recommendations as of March 31 of this year has improved compared to the situation in May 2005.

Despite this progress, certain trends involving implementation of the Board's recommendations raise concerns, such as the low implementation rate in the areas of human resources management, treasury and investment accounts management, interagency services, and information and communications technology systems. The United States hopes to learn more from UN management about steps that are being taken to expedite completion of the Board's recommendations. Since the Secretary-General has entrusted the Management Committee with the overall responsibility for ensuring that program managers are effectively implementing recommendations in a timely manner, the United States would like to know when and how often the Management Committee has met during the present calendar year of 2007 to discuss oversight matters.

The United States commends the Board of Auditors for identifying those areas for each organization reviewed where the implementation rate of the Board's recommendations has been relatively low. For example, in the case of the UN Development Program (UNDP), the Board noted that only half its recommendations related to internal oversight have been implemented. Internal oversight and external oversight together provide valuable assurance and monitoring to the UNDP Administrator, the Executive Board, and donors concerning the use of resources and the effectiveness of ongoing operations. For this reason, it is crucial that UNDP expedite completion of the Board's remaining recommendations related to internal oversight.

Similarly, the board identified five areas involving low implementation rates in the work of the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), including: procurement and contract management, human resources management, results-based management, program and project management, and information and communications

technology. The fact that UNRWA has only implemented 26 per cent of the Board's recommendations for 2004-2005 is a matter of concern and warrants an explanation. The United States urges UNRWA to provide information to this Committee concerning the low implementation rate of the Board's recommendations and hopes that all open recommendations will be addressed expeditiously.

The United States also has reviewed the Board of Auditor reports and corresponding comments by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the financial statements of the UN Office for Project Services (UNOPS) for the biennium ending December 31, 2005, and the financial reports and audited financial statements of the United Nations High Commissioner for Refugees (UNHCR).

Concerning the deeply troubling situation involving UNOPS, the United States paid careful attention to the observation of the ACABQ that the Board's report on the financial statements for the biennium 2004-2005 was "unprecedented in the scope of issues of qualification." The fact that the ACABQ shares the Board's ongoing concerns regarding the sustainability of UNOPS and the ongoing risks posed to departments and offices involved with UNOPS-implemented projects merits our careful consideration during informal consultations on this agenda item.

Although the financial situation of the UN High Commissioner for Refugees was reported by the Board to be far less dire than the circumstances involving UNOPS, the United States remains concerned by the decrease of \$24 million in voluntary contributions from 2005 to 2006 and the continued gap between expenditures and income. We commend UNHCR for reducing its expenditures in 2006 by more than \$40 million, but share the Board's view about the questionable sustainability of UNHCR's improved financial situation if it continues to be based on short-term remedies, such as the currency exchange gain of \$23.7 million that UNHCR enjoyed in 2006. The attention of the United States Delegation also was drawn to the ongoing costs incurred by UNHCR for paying 88 staff members who were between assignments, and thus not attached to any office or actually working. We note that the ACABQ agreed with the Board's recommendation that this matter be addressed urgently. The United States also shares the concern expressed by the ACABQ and the Board regarding the low rates of compliance by UNHCR with minimum security standards, especially in Phase III locations and above, and the gap that exists in UNHCR's current conflict-of-interest policies. This latter point underscores the immediate need for the Secretary-General to extend the jurisdiction of the UN Ethics

SIPDIS

Office and the policies it oversees throughout the UN system.

Mr. Chairman, thank you for permitting me an opportunity to convey the views of my delegation regarding the Board of Auditors' various reports. We again thank the Board for their important contribution to the overall successful functioning of the Organization, and look forward to more detailed discussion of a number of these matters during informal consultations.

Khalilzad